

**Report on Audit of Civil Group's Proposed  
Indirect Expense and Cost of Money Rates for  
Forward Pricing and Provisional Billing Rates**

**October 2001**

**Reference Number: 2002-1C-012**

This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.



DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

INSPECTOR GENERAL  
for TAX  
ADMINISTRATION

October 29, 2001

MEMORANDUM FOR DAVID A. GRANT  
DIRECTOR OF PROCUREMENT  
INTERNAL REVENUE SERVICE

A handwritten signature in cursive script, reading "Pamela J. Gardiner".

FROM: Pamela J. Gardiner  
Deputy Inspector General for Audit

SUBJECT: Report on Audit of Civil Group's Proposed Indirect  
Expense and Cost of Money Rates for Forward  
Pricing Provisional Billing Rates  
(Audit # 200210002.003)

The Defense Contract Audit Agency (DCAA) audited the contractor's Civil Group Proposed Fiscal Year (FY) 2001 Forward Pricing Rates and FY 2001/2002 Provisional Billing Rates, Indirect Expense Rates, and Cost of Money Rates dated June 14, 2000 and adjusted to actual FY 2001 rates dated April 9, 2001. The purpose of this examination was to determine whether the proposed indirect rates are reasonable; in compliance with government regulations and Cost Accounting Standards; and therefore, acceptable as a basis to negotiate fair and reasonable Indirect Expense rates and Cost of Money rates. The FY 2001 Forward Pricing Rates and the FY 2001/2002 Provisional Billing Rates apply to the Civil Division only.

The DCAA considered the contractor's estimating system adequate to ensure that the proposed rates are based on accurate, complete, and current cost or pricing data. However, the DCAA questioned some of the contractor's overhead rates. In addition, the contractor has included the indirect costs (associated with the direct labor for the consulting group) in the overhead pools of the receiving segments. See page 5 of the DCAA report for additional information.

The information in this report should not be used for purposes other than that intended without prior consultation with the Treasury Inspector General for Tax Administration regarding its applicability.

If you have any questions, please contact me at (202) 622-6510 or Daniel Devlin, Assistant Inspector General for Audit (Headquarters Operations and Exempt Organizations Programs), at (202) 622-8500.

Attachment

# **NOTICE:**

The Office of Inspector General for Tax Administration has no objection to the release of this report, at the discretion of the contracting officer, to duly authorized representatives of the contractor.

The contractor information contained in this report is proprietary information. The restrictions of 18 USC 1905 must be followed in releasing any information to the public.

This report may not be released without the approval of this office, except to an agency requesting the report for use in negotiating or administering a contract with the contractor.

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